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ZENITH EDUCATION GROUP

Report of Independent Monitor
June 30, 2015

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ATTORNEY-CLIENT PRIVILEGED REPORT.
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STATES DEPARTMENT OF EDUCATION UNDER
LIMITED WAIVER OF PRIVILEGE.

Time Period: This report reflects the Monitor's activities from June 1, 2015 through June 30, 2015.

1. Marketing Materials

- a. Monthly report to include description of marketing materials reviewed to date

Status:

Monitor has received an initial batch of marketing materials from Zenith. These materials include TV media, Internet media, webpages for Everest.edu and WyoTech.edu, Newspaper creative, Print Media (Yellow pages, Displays, Flyers), and Email Campaigns.

Monitor has completed review of Print Media, Email Campaigns, and Vendor Agreements. Monitor is in the process of determining with Zenith whether the reviewed documents are currently in use by Zenith. Monitor is in the process of reviewing Everest and Wyotech website pages, including disclosure pages.

Monitor's report of findings will be reviewed with Zenith and included in the July 31, 2015 report.

2. Admissions/Recruitment

- a. Employees

- Monthly report to include description of documents reviewed related to training, supervision, compensation of employees performing admissions and recruitment functions.
- Monthly review to describe sampling of calls and emails to and from prospective students to Zenith related to Admissions and Recruiting.

- b. Third Parties/Lead Generators

- Monthly review to identify materials reviewed related to third parties or lead generators.

Status:

Document Review:

Enrollment Agreements. Monitor has completed its review of Enrollment Agreements and has submitted recommendations to Zenith. Zenith is in the process of implementing the Monitor's recommendations. See Section 2.

Other documents. The other written materials received by the Monitor, such as training materials related to admissions and recruitment and Vendor Agreements, are included in Document Review set forth under item 1(a) to allow consistency in reviewing and reporting.

Admissions Call Monitoring:

See Section 2. Monitor has reviewed recorded admissions calls for online campuses for the period between April 10 and April 30 according to a review method recommended by NORC. [REDACTED]

3. Oversight Over Required Disclosures

- a. Completion Rates – Monthly report to include description of materials reviewed related to date of completion.
- b. Placement Rates – Monthly reporting regarding placement rates.
- c. Accreditation Status – One time reporting in monthly report regarding agreed disclosure in Enrollment Agreement.

Status:

Completion Rates: See Section 3. In progress.

Placement Rates: Monitor has not begun reviewing Placement Rates. As indicated in the May 31, 2015 Report, current Placement Rate disclosures that are made by Zenith are based on the information collected and reported by the prior owner/operator CCI. The Monitor has not verified CCI placement rate information. The Monitor will review the Placement Rates that are based on information collected and verified by Zenith once such is reported to accreditors.

Accreditation Status: Completed. Report included in April 30, 2015 report.

4. Student Choice

- a. Summary of Student Choice implementation in Monthly report for first two months.

Status:

Completed. Report included in March 30, 2015 report. Updated data regarding redemption of vouchers was included in the May 31, 2015 Report.

5. Tuition Reduction Program/Zenith Graduation Scholarship

- a. One time summary of implementation of Tuition Reduction program.
- b. One time summary of implementation of Zenith Graduation Scholarship.

Status:

Completed. The Monitor completed review of training material for the Tuition Reduction and Graduation Scholarship Program and observed training related to the Graduation Scholarship and Tuition Reduction Program. The Monitor has also reviewed the Graduation Scholarship Application. Preliminary Findings related to these activities were included in the April 30, 2015 Report.

Updated Findings regarding the new Everest and WyoTech tuition schedules and reviewed additional data regarding the Graduation Scholarship were included in the May 31, 2015 report.

6. Zenith Grant Program/Institutional Loans

- a. One time summary of implementation and materials for Zenith Grant Program.

Status:

Completed. The Monitor reviewed training material for the Zenith Grant Program and findings regarding these materials were included in the April 30, 2015 Report. The Monitor reviewed additional data review of the implementation of this program and made updated findings in the May 31, 2015 Report.

Section 2. Admissions/Recruitment

A. Document Review - Enrollment Agreements.

1) Scope of Review

The Monitor completed a comprehensive review of Everest and Wyotech Enrollment Agreements, including Enrollment Agreement Addenda and Disclosure Forms. Enrollment Agreements, Addenda and Disclosure Forms were reviewed for the following Campuses. As noted below, Zenith has informed the Monitor that some of the reviewed agreements are not in use because Zenith has ceased enrollment at the campuses. Zenith has also informed the Monitor that other agreements reviewed are currently in draft and have not received approval from state agencies which are required to approve the agreements prior to use. All Enrollment Agreements in either of the preceding categories were reviewed in draft and are referred to herein as Draft Enrollment Agreements.

Notes:

1. Not in use, not enrolling students.
2. Draft requires approval of state authorities in Georgia.
3. Draft requires approval of state authorities in Oregon.
4. Draft requires approval of state authorities in Washington.
5. Draft requires approval of state authorities in Georgia, Kansas, Minnesota, New Jersey, Oklahoma, Oregon, Texas, Washington, and Wisconsin.
6. Draft requires approval of state authorities in Kansas, Minnesota, and Wisconsin.

Everest

Notes	State	Campus			
			2	Georgia	Jonesboro
	Colorado	Aurora	2	Georgia	Marietta
	Colorado	Co Springs	2	Georgia	Norcross
	Colorado	Thornton	1	Illinois	Bedford Park
	Florida	Brandon	1	Illinois	Melrose Park
	Florida	Jacksonville	1	Illinois	Skokie
	Florida	Lakeland	1	Illinois	Burr Ridge
	Florida	Largo	1	Illinois	Merrionette Park
	Florida	Melbourne		Michigan	Dearborn
	Florida	North Orlando		Michigan	Detroit
	Florida	Orange Park		Michigan	Southfield
	Florida	Pompano Beach		Missouri	Kansas City
	Florida	South Orlando		Missouri	Springfield
	Florida	Tampa		Nevada	Henderson
	Florida	Online		New Jersey	South Plainfield
2	Georgia	Atlanta		Ohio	Gahanna

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3,4	Oregon	Tigard		Virginia	Newport News
	Oregon	Portland		Virginia	Woodbridge
	Pennsylvania	Pittsburgh	4	Washington	Bremerton
	Texas	Arlington	4	Washington	Everett
	Texas	Dallas	4	Washington	Renton
	Texas	Fort Worth South	4	Washington	Seattle
	Texas	Austin	4	Washington	Tacoma
		Houston	4	Washington	Vancouver
	Texas	Bissonnett	4	Washington	Bremerton
		Houston	4	Washington	Everett
	Texas	Greenspoint	4	Washington	Tacoma
	Texas	Houston Hobby	4	Washington	Vancouver
	Texas	San Antonio	6	Online	
	Virginia	Chesapeake			

Wyotech

5	State	Campus
5	Pennsylvania	Blairsville
5	Florida	Daytona
5	Wyoming	Laramie

Not Reviewed

The following Enrollment Agreements and corresponding addenda or forms were not reviewed for the following campuses that are in teach out and which are not enrolling students.

Everest

State	Campus
Indiana	Merrillville
Massachusetts	Chelsea
Maryland	Silver Springs
Michigan	Grand Rapids
Michigan	Kalamazoo
Minnesota	Eagan
Missouri	St. Louis
Pennsylvania	Bensalem
Utah	Salt Lake City
Virginia	Tysons Corner
West Virginia	Cross Lanes

2) Findings regarding compliance with conduct Provisions.

A. Cancellation Period.

FINDING: The Enrollment Agreements and Draft Enrollment Agreements reviewed contain language regarding the Cancellation Period that satisfies the conduct provisions. The Cancellation Period is substantially similar in all Enrollment Agreements and Draft Enrollment Agreements, and is similar to the following example from the Draft Everest Online Enrollment Agreement:

CANCELLATION PERIOD: YOU MAY WITHDRAW THIS AGREEMENT AT ANY time WITHIN FIVE BUSINESS DAYS FROM THE DATE YOU SIGN THIS AGREEMENT, MAKE AN INITIAL PAYMENT, OR FIRST VISIT THE SCHOOL, WHICHEVER IS LATER. IF YOU DO SO, ALL PAYMENTS MADE BY YOU OR ON YOUR BEHALF WILL BE REFUNDED. WITHDRAWAL CAN BE EFFECTUATED BY PERSONALLY APPEARING AT YOUR SCHOOL TO WITHDRAW, DEPOSITING A WITHDRAWAL LETTER IN THE MAIL TO YOUR SCHOOL AT THE ADDRESS PROVIDED ON THE FIRST PAGE OF THIS AGREEMENT (IN WHICH CASE, THE WITHDRAWAL WILL BE CONSIDERED EFFECTIVE AS OF THE POSTMARK DATE), SENDING AN ELECTRONIC MESSAGE TO WITHDRAWALS@ZENITH.ORG, OR PROVIDING AN ORAL WITHDRAWAL NOTICE TO PHONE NUMBER (888)-236-9614. IN EVENT OF DISPUTE OVER TIMELY NOTICE, THE BURDEN TO PROVE SERVICE RESTS ON THE APPLICANT.

B. Accreditation Status Disclosure.

FINDING: As detailed in the Monitor's April 30, 2015 Report, each of the Enrollment Agreements and Draft Enrollment Agreements contains the Accreditation Status Disclosure that satisfies the conduct provisions.

C. Arbitration Clauses

1. All Enrollment Agreements and Draft Enrollment Agreements other than Washington.

FINDING: The Arbitration Clauses in the Enrollment Agreements and Draft Enrollment Agreements reviewed satisfy the conduct provisions. The arbitration clauses in the reviewed Enrollment Agreements and Draft Enrollment Agreements, and their accompanying Addenda and Disclosure Forms are substantially similar, other than Washington (see below).

The following is an example of the Dispute Resolution Policy from the Draft Everest Online Enrollment Agreement, which is substantially similar to Dispute Resolution Provisions in all other reviewed Enrollment Agreements and Draft Enrollment Agreements, other than Washington.

DISPUTE RESOLUTION POLICY

1. You may choose to initiate the terms of the following dispute resolution policy in lieu of or prior to initiating a legal claim in a court of competent jurisdiction against the School. As set forth below, if you are not satisfied with the outcome of the internal dispute resolution process, you may, but are not required to, seek resolution of your complaint through arbitration or before a court of competent jurisdiction. In the event that you file for arbitration or if you file a claim before a court of competent jurisdiction, you agree not to combine or consolidate any claims with those of other students, such as in a class or mass action. **IN THE EVENT THAT YOU ELECT TO BRING A CLAIM IN COURT, YOU AGREE TO WAIVE YOUR RIGHTS TO A JURY TRIAL AND THAT THE CLAIM SHALL BE SUBMITTED TO A JUDGE ONLY AND NOT TO A JURY.**

INITIALS: _____

2. By signing this addendum, you acknowledge that the School has informed you of the availability of its internal dispute resolution procedure to resolve any claims you may have against the School. You may initiate this internal dispute resolution procedure by filing a written complaint with your academic advisor. The academic advisor will attempt to respond to your complaint and resolve the dispute within 15 days. If you are not satisfied with your academic advisor's resolution of your complaint, you may appeal his/her decision to the President of the School. If you file a claim after you withdraw or graduate from the School, you may initiate the internal dispute resolution process by filing a written complaint directly with the President of the School. Whether you initiate the internal dispute resolution process with your academic adviser or with the School's President, you may further appeal the School President's decision to the Provost of Zenith Education Group.

INITIALS: _____

3. If you are not satisfied with the outcome of the internal dispute resolution process described in paragraph two (2), you have the option of submitting your claim to arbitration administered by the American Arbitration Association ("AAA") in accordance with its Consumer Arbitration Rules at a location within the area covered by the federal district court in which you reside.

INITIALS: _____

4. If you initiate arbitration, you may choose to have the School pay half the cost of the consumer filing fee set by AAA, arbitrator's compensation, and facilities fee ("Filing Fee"). In exchange for the School agreeing to pay one-half of the Filing Fee, you agree that once you initiate arbitration by

submitting a claim to AAA you waive your right to bring a lawsuit against the school in a court of competent jurisdiction. The decision of the arbitrators shall be binding, and you agree not to appeal any arbitration decision to any court. If you are the prevailing party, the School will reimburse you for the portion of the Filing Fee that you advanced. You will not be responsible for reimbursing the School for the Filing Fee it advanced if the School is the prevailing party.

INITIALS: _____

5. Alternatively, you may decide to pay the entire Filing Fee. If you pay the Filing Fee, you will not waive your right to bring a lawsuit against the school in a court of competent jurisdiction if you are not satisfied with the outcome of the arbitration. If you are the prevailing party, the School will reimburse you for the Filing Fee.

INITIALS: _____

6. You will not be responsible for any Filing Fee under either paragraph 4 or 5 if you demonstrate hardship and, if represented, your attorney does not advance costs. In exchange for the School agreeing to pay the Filing Fee, you agree that once you initiate arbitration by submitting a claim to AAA you waive your right to bring a lawsuit against the school in a court of competent jurisdiction. The decision of the arbitrators shall be binding, and you agree not to appeal any arbitration decision to any court.

INITIALS: _____

7. If, upon completion of the internal dispute resolution process you desire to initiate arbitration, you should first contact the School's President, who will provide you with a copy of the AAA Consumer Rules. Information about the arbitration process and the Consumer Rules also can be obtained at www.adr.org or 1-800-778-7879. You shall then contact the AAA, which will provide the appropriate forms and detailed instructions. You shall disclose this document to the AAA.

INITIALS: _____

8. Except as specifically required by law of the state in which this is executed or as may be specifically ordered by the arbitrator, the internal dispute resolution process and any subsequent arbitration process shall remain strictly confidential by the parties, their representatives and the AAA. This agreement to maintain the confidentiality of the arbitration process does not extend to the fact that an arbitration claim has been filed by you, as well as any decisions, final rulings, and award resulting from the arbitration, and/or any information exchanged by the parties, with the exception of personally identifiable information (except that a person may reveal his or her own personally identifiable information).

INITIALS: _____

9. All statutes of limitations applicable to any dispute apply to any arbitration between you and the School.

INITIALS: _____

10. Please note that nothing in this agreement prohibits you from also filing a complaint with any state or federal regulatory or enforcement agency, including the U.S. Department of Education, or accrediting agency. Such a complaint may be filed at any time and nothing in this Agreement precludes you from notifying any state or federal regulatory or enforcement agency regarding the internal dispute resolution process and any resulting arbitration.

INITIALS: _____

11. The School will provide you with a full copy of your student files upon written request without the need to initiate arbitration and at no charge.

INITIALS: _____

Texas students only: This provision is in addition to any grievance procedure specifically provided for by statute or rule to the extent that the claims are within the scope of such statute or rule. "Grievance procedure" refers specifically to the TWC Student Complaint Policy and information on filing a complaint with TWC can be found on TWC's Career Schools and Colleges Website at <http://csc.twc.state.tx.us/>.

INITIALS: _____

2. Washington.

FINDING: The Washington Enrollment Agreement is a Draft Enrollment Agreement as it has not yet been approved by the state authority. The Arbitration Clauses in the Washington Draft Enrollment Agreement satisfies the conduct provisions. The Clause is set forth below:

Acknowledgment of Waiver of Jury Trial and Availability of Voluntary Dispute Resolution Procedures: By my signature, I acknowledge that I understand that both I and The School are irrevocably waiving rights to a trial by jury or by a judge in a court of law. This means that any legal claim I may have against the School will be heard by an independent arbitrator, and not by a judge or jury in a court of law. I further acknowledge that I may, but am not required to, take advantage of the School's internal dispute resolution and arbitration procedures as set forth in the Dispute Resolution Policy addendum to this agreement. However, if I seek arbitration, and/or if I pursue an appeal of an arbitrator's decision in a court of law, I agree not to combine or consolidate any Claims with those of other students, such as in a class or mass action.

B. Admissions Call Monitoring

1) Scope of Review

The Monitor had reviewed Admissions Calls regarding Everest online programs for the month of April 2015.

a. Expansion of Call Recording Capability

Within the month of April, Zenith increased its call recording capability from that that was implemented by the prior operator of the Everest and Wyotech schools. Prior to expansion, only certain inbound calls and outbound marketing calls were recorded. During the month of April, Zenith expanded the call recording capability to include the following

- 1) all inbound calls to admission representatives at the Tampa and Tempe call centers
- 2) all outbound calls made from the Tampa and Tempe call centers made through the LiveVox dialer
- 3) all outbound calls manually dialed from admissions representatives at the Tampa and Tempe call centers.

b. Call Selection Methodology

The Monitor reviewed a selection of recorded calls relating to Everest online campuses as recommended by NORC. The sample selection was based on treating the online campus as a single campus and based on a number of calls to detect a 5% error rate and were selected based on a randomized selection of admissions representatives within the Tampa and Tempe call centers. The individual calls were reviewed by the Monitor by listening to the recordings of each call selected for the agent from start to finish. No voice recognition software was used for the review.

2) Findings regarding Review of Everest Online Admissions calls

Based on the review the Monitor identified calls that represent less than 3% of total calls reviewed that contained statements that merit review by Zenith. None of the calls themselves resulted in an enrollment. General descriptions of the issues identified are as follows:

- 1) Various statements advising that upcoming enrollment was filling up or was capped and that prospective student would need to complete enrollment soon.
- 2) Prospective student interested in business was advised about associate accounting program. Student indicated concern that he could not be hired as an accountant due to prior felony conviction and had been in jail and might not pass background check. Agent advised that anything more than 10 years old was something "they" are generally worried about anymore.
- 3) Aggressive sales tactics
 - i. Prospective student immediately asked to be put on do not call list during call. Agent responded indicating that the prospective student had previously indicated interest and pursued reasons for prospective student's lack of interest.

- ii. Prospective student indicated that she had indicated that she had told numerous agents that she was not interested and that she would let the school know when she makes her decision. Agent responded by questioning reasons for not enrolling and made further inquiries. Prospective student ultimately hung up on agent.
- 4) Prospective student indicated that was not interested in pursuing degree due as he is in bankruptcy and lacks financial resources to pursue education. Agent indicated financial aid is not based on credit score. Later in the call Agent indicated that financial aid in most cases would allow prospective student to go to school without paying anything out of pocket and in some cases excess funding under financial aid might be go available to go directly to Prospective student from lender. It should be noted that this call, was from the Zenith Tempe Call center, which ceased operations in May 2015.

The Monitor has shared the details of these calls with Zenith. Zenith has indicated to the Monitor that it has provided guidance regarding these items to Zenith Regional Vice Presidents. Further Zenith plans to include these issues in a quality assurance program to be instituted.

Section 3. Oversight over Disclosures

Completion Rates – Preliminary Findings

The Monitor is in the process of reviewing Zenith's Completion Rate Disclosures. Zenith has previously identified the following specific statements regarding calculation of completion rates as outlined in 34 C.F.R § 668.412.

Zenith has provided the Monitor with a copy of the following assumptions identified to the Department:

Zenith Assumptions

- 1) The Enrollment Cohort will include all students who started in a program for the first time, during the enrollment cohort (financial aid award year, FA AY). Re-entries will not be considered a "start" in the enrollment cohort (FA AY) if they attended the program in a previous enrollment cohort (FA AY), regardless of how long it has been since their prior attendance.

Zenith Basis: The factual underpinning is from § 668.412 "(i) Subject to paragraph (a)(2)(ii) of this section, for the purpose of calculating the completion and withdrawal rates under paragraph (b) of this section, the enrollment cohort is comprised of all the students who began enrollment in a GE program during an award year. For example, the students who began enrollment in a GE program during the 2014–2015 award year constitute the enrollment cohort for that award year."

- 2) The enrollment cohort will exclude any students that have died. The enrollment cohort will not exclude totally and permanently disabled students who were unable to continue on at least a half-time basis as we do not track disabled students in our system at this level of detail.

Zenith Basis. The factual support is from § 668.412 "(ii) A student is excluded from the enrollment cohort for the purpose of calculating the completion and withdrawal rates under paragraph (b) of this section if, while enrolled in the program, the student died or became totally and permanently disabled and was unable to continue enrollment on at least a half-time basis, as determined under the standards in [34 CFR 685.213](#)."

- 3) Students will be considered completers if they became a graduate in the program. Students with any status other than graduate will be considered non-completers.
- 4) [Zenith] will use the financial aid definition of full-time, and less than full time (number of credits) to determine the cohort the student's completion information will be calculated in. The number of credits the student is enrolled in on the student's first day of attendance will be used to determine the student's status. As such, students will be considered full-time if they are taking 12 credits or more, and considered less than full

time if they are taking less than 12 credits. All modular students will be considered full time.

Zenith Basis: from § 668.412 “(i) For students whose enrollment status is full-time on the first day of the student's enrollment in the program” and “(ii) For students whose enrollment status is less than full-time on the first day of the student's enrollment in the program”

5) [Zentith] will use the following calculations to display completion information based on the students FT or Less than FT status

§ 1. (# of full time students in EC who completed within 100% program length) / (# of full-time students in EC)

§ 2. (# of full time students in EC who completed within 150% program length) / (# of full-time students in EC)

§ 3. (# of less-than-full-time students in EC who completed within 200% program length) / (# of less-than-full-time students in EC)

§ 4. (# of less-than-full-time students in EC who completed within 300% program length) / (# of less-than-full-time students in EC)

6) [Zenith] will display the completion percentages for the enrollment cohort (by financial aid award year, July 1- June 30) that will provide the most recent group of completers for the longer of the two completion percentages. Specifically, we will select the most recent enrollment cohort (FA AY) for the full-time students to have had enough time to complete 150% of their program length; and, we will select the most recent enrollment cohort (FA AY) for the less than full-time students to have had time to complete 300% of their program length. As such the enrollment cohort may vary dependent on program length.

7) [Zenith] will disclose the enrollment cohort (FA AY) that was used for completion calculations with the published completion numbers.

Scope of Review

The Monitor's review of Completion Rates is divided into three categories:

1. Numerical validation of the Completion Rate Data provided by Zenith. NORC has performed a manual sample validation of the Completion Rate data provided by Zenith and has found no errors in the formula or the application of the formulas to the reviewed sample of programs. NORC is undertaking a 100 percent validation (i.e. for all programs and campuses) of the application of the formula for calculations for the Completion Rates and expects to have the review completed for the July 31, 2015 report.

FINDING: The sample validation of the Completion Rate data provided by Zenith did not contain any numerical calculation errors.

2. Sample Review of the source data forming the basis for the Completion Rate Data. The Monitor has requested review of a sample of student records recommended by NORC. This review is scheduled for July and the results will be included in the July 31, 2015 report.

3. Posting of Completion Rates in accordance with Calculations.

FINDING: The Monitor has identified a small number of questions within the completion rate calculations provided and the disclosures posted on the websites for some programs and have requested clarification on these issues. Zenith has been provided a list of the questions and requests for clarification and is investigating them. The Monitor will review Zenith's responses in July. Any identified errors that are not corrected or not explained will be described in the July 31, 2015 report.